

Indiana: Debt Overview



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For the State Budget Committee
On December 8, 2010

Debt Outstanding as of December 31, 2010



Overview

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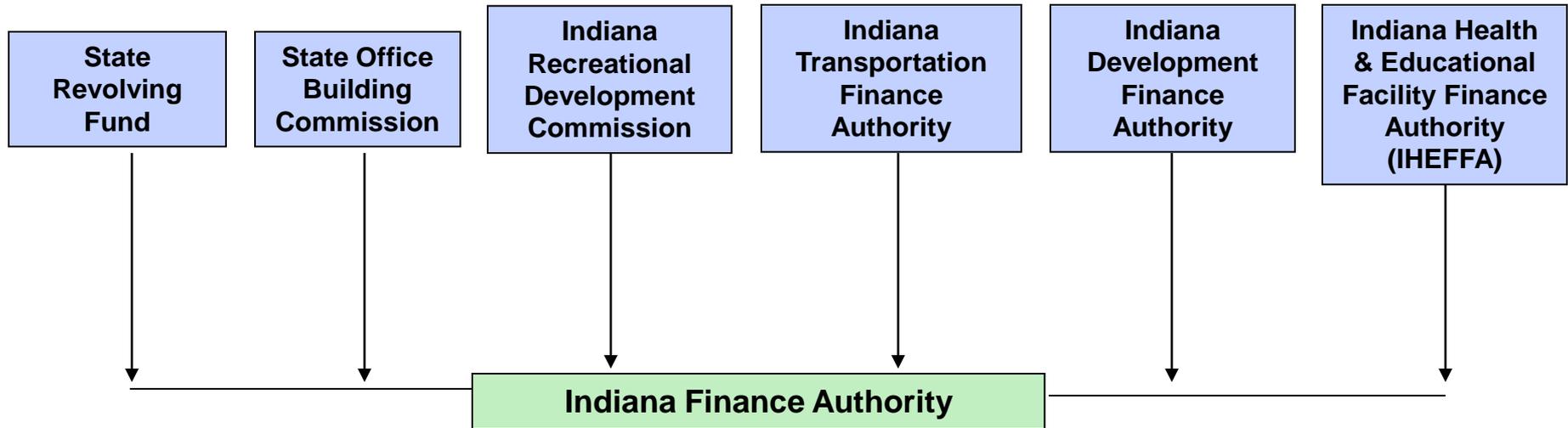
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A. Indiana Finance Authority

- ❑ In 2005, the Indiana General Assembly created the Indiana Finance Authority (“IFA”) to oversee State-related debt. The enabling legislation consolidated five previously separate entities into the new IFA as shown. In 2007, legislation also merged the IHEFFA into the IFA.



- ❑ The IFA issues debt on behalf of these six predecessor agencies and has managed their debt portfolios since 2005.
- ❑ The IFA also issues debt for the Stadium and Convention Center projects and various other facilities.
- ❑ The State Public Finance Director, by statute, manages the IFA.



B. Public Finance Director

- ❑ During the 2005 General Assembly, the Public Finance Director was given statutory oversight of all state debt issuance and is the chief executive of the Indiana Finance Authority (IFA).

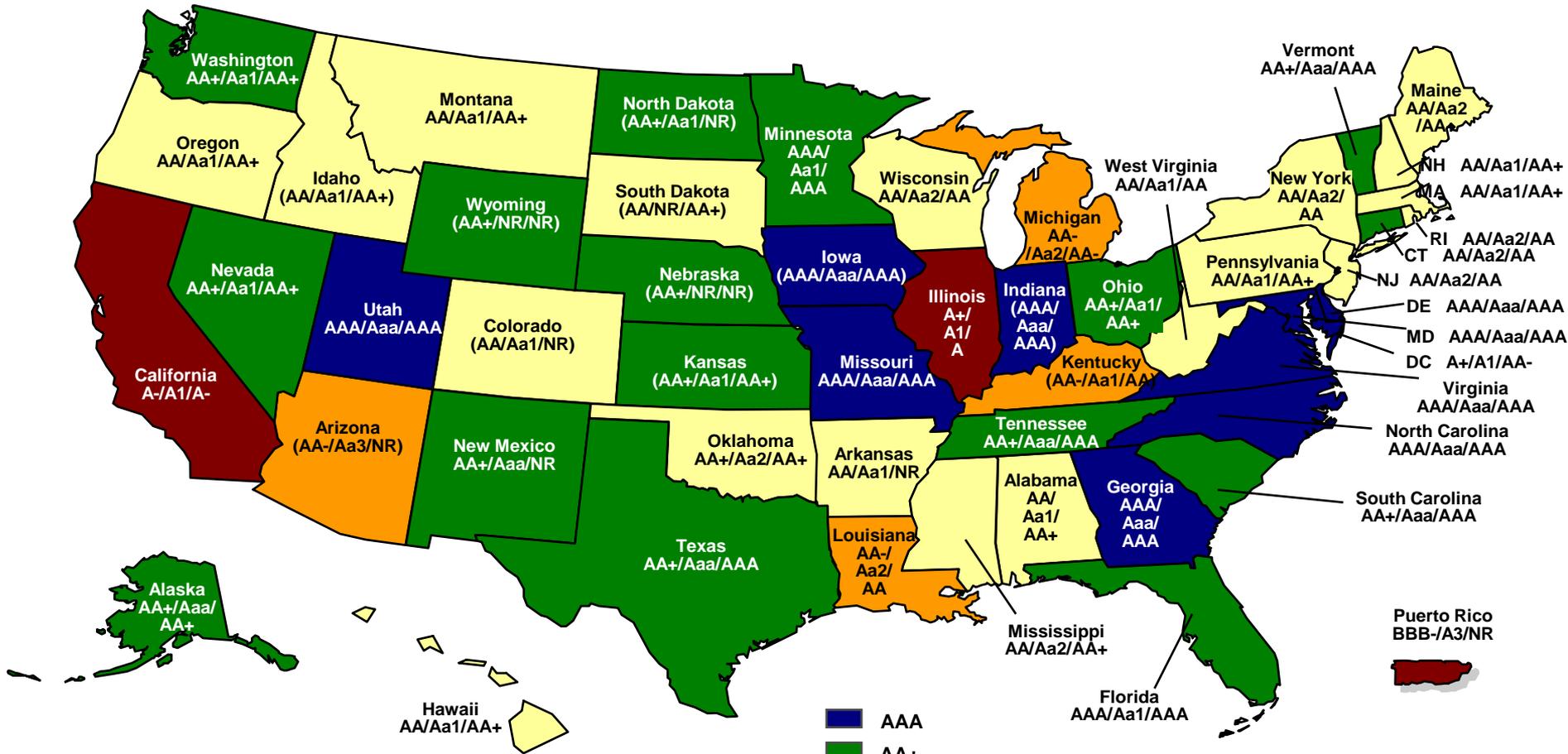
- ❑ Pursuant to this authorization and an Executive Order, the Public Finance Director has the following additional responsibilities:
 - Board member of the Indiana Bond Bank and the Indiana Housing and Community Development Authority.
 - Involved in the approval process for public university debt.
 - Involved in all debt issuances for the State Fair Commission, Ports of Indiana, and Indiana Secondary Market for Educational Loans.

- ❑ The ability of the Public Finance Director to monitor all debt being issued by state issuers enables consistent debt management across the State.

- ❑ The Public Finance Director is responsible for communication with rating agencies related to the State's credit rating.



C. U.S. State Credit Ratings – As of December 8, 2010



- AAA
- AA+
- AA
- AA-
- A+ or lower

Ratings Source: S&P / Moody's / Fitch

() indicates states with no G.O. debt. Ratings are hypothetical.



D. State of Indiana Credit Rating History

□ Standard & Poor's

- **7/2008: AAA Stable**
- 1/2006: AA+ Stable
- 6/2005: AA Positive
- 1/2004: AA Stable
- 1/2002: AA+ Negative
- 12/1997: AA+ Stable

□ Moody's Investor Services

- **4/2010: Aaa Stable**
- 8/2006: Aa1 Stable
- 12/2001: Aa1 Negative
- 12/1997: Aa1 Stable

□ Fitch Ratings¹

- **4/2010: AAA Stable**
- 4/2006: AA+ Stable
- 5/2000: AA+

Credit Strengths of the State of Indiana

(As noted by the rating agencies in the August 2010 state ratings reports)

- Balanced budget that maintains solid level of reserves
- Sound financial management practices
- Low debt per capita
- Continued adherence to conservative debt policies
- Trend of recent expenditure restraint
- Diversifying economic base

¹ Fitch Ratings only assigns an appropriation/lease credit rating. As a result, this rating is hypothetical.



II. Appropriation-Backed Debt

Appropriation-Backed Debt	
Issuing Entity	Debt Outstanding
Transportation Finance Authority	\$1,331,386,298
Public University (Fee-Replaced) ¹	\$1,294,716,097
IFA-Stadium & Convention Center ²	\$987,190,000
State Office Building Commission	\$689,915,000
Indiana Bond Bank (Moral Obligation) ³	\$541,795,000
Recreational Development Commission	\$23,940,000
Total	\$4,868,942,395

¹ Estimated.

² Backed by appropriations, but first paid by other revenue sources.

³ Not technically backed by appropriations, as it is a moral obligation to pay.



Appropriation-Backed Debt: Oversight

- ❑ Appropriation-Backed debt is approved by the General Assembly either by approval of the project or the source of funds used to finance the repayment of bonds issued.
 - Moral Obligation debt is reviewed by the Budget Committee and approved by the Budget Director.

Issuing Entity	Oversight
Indiana Transportation Finance Authority (now IFA)	IFA / Public Finance Director
Public Universities (Fee-Replaced)	Reviewed by the Budget Committee. Approved by the Budget Director and Public Finance Director.
Stadium and Convention Center (managed by IFA) ¹	IFA / Public Finance Director
State Office Building Commission (now IFA)	IFA / Public Finance Director
Indiana Bond Bank (Moral Obligation) ²	Reviewed by the Budget Committee and approved by the Budget Director. Public Finance Director on the board.
Recreational Development Commission (now IFA)	IFA / Public Finance Director

¹ Backed by appropriations, but first paid by other revenue sources.

² Not technically backed by appropriations, as it is a moral obligation to pay.



Indiana Transportation Finance Authority (ITFA) Projects [now IFA]

- ❑ IFA issues debt in partnership with the Indiana Department of Transportation to finance the cost of construction, acquisition, reconstruction, improvement, or extension of the State's public ways. However, no new debt has been issued since 2004.
- ❑ Payment is made on Highways and Bridges bonds primarily using State-appropriated gas tax dollars, among other resources.
- ❑ The Airport Maintenance Facility, formerly the United Maintenance Facility, is currently leased to other users.
- ❑ The Aviation Technology Center is a training center run by Vincennes/Purdue cooperative at Indianapolis International Airport. It was built in connection with the United Maintenance Facility for long-term worker training.
- ❑ ITFA debt is 100% fixed rate.

Project	Debt Outstanding
State Highways & Bridges	\$1,190,731,298
Airport Maintenance Facility	\$134,690,000
Aviation Technology Center	\$5,965,000
Total	\$1,331,386,298



Fee-Replacement Public University Debt

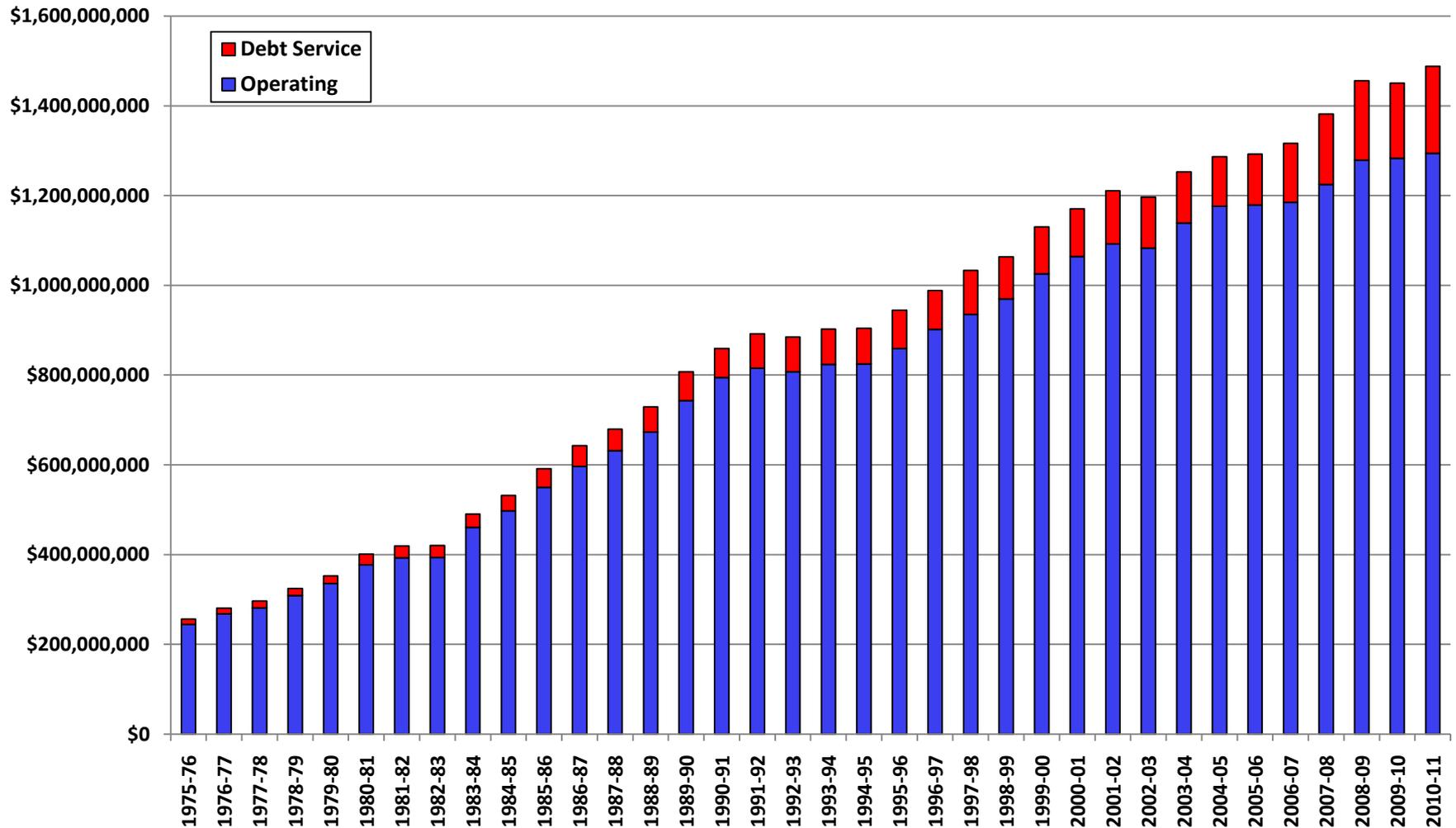
- ❑ Fee-replacement bonds are debt issued by universities, through which State-appropriations reimburse the universities for debt service.
- ❑ Fee-replacement bonds must be reviewed by the Budget Committee and approved by the Budget Director and Public Finance Director.
- ❑ Debt outstanding will continue to grow over the next year based on authorization of new projects that have yet to be financed.

University	Debt Outstanding*
Indiana University	\$409,736,680
Ivy Tech College	\$294,205,000
Purdue University	\$273,403,330
Ball State University	\$129,085,000
University of Southern Indiana	\$88,181,760
Indiana State University	\$61,415,532
Vincennes University	\$38,688,795
Total	\$1,294,716,097

* Estimated



Historic Growth of University Operating and Debt Service Appropriations

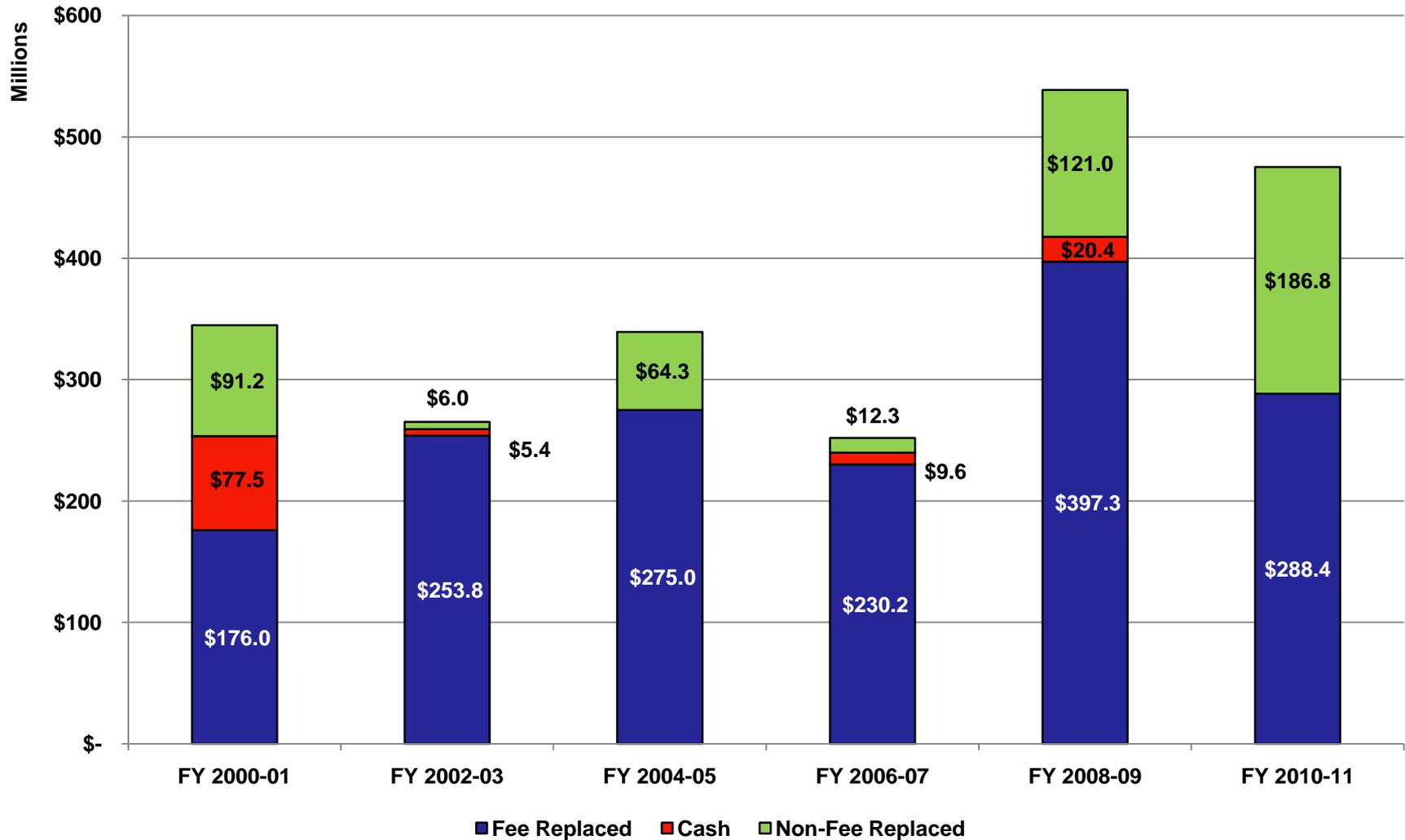


*Operating appropriation is the sum of debt service and operating appropriations.

Fee Replacement includes \$16.5M of Budget Agency Fee Replacement Contingency Appropriation.



State-Supported University Capital Projects as Passed by the General Assembly





Indiana Stadium & Convention Center [debt managed by IFA]

- Stadium/Convention Center Construction Financing:
 - A majority of the interest rates on the Stadium & Convention Center have been fixed through swap agreements and fixed rate bonds.
 - Repayment sources are local food & beverage, hotel, rental car and admission taxes and Colts license plate fees.
 - The Convention Center is still under construction with an expected completion date in January 2011.

Project	Debt Outstanding
Lucas Oil Stadium	\$657,960,000
Convention Center	\$329,230,000
Total	\$987,190,000



State Office Building Commission (SOBC) Projects [now IFA]

- ❑ The IFA issues debt in partnership with multiple entities to finance or refinance the cost of acquiring, constructing, or equipping buildings and improvements, including:
 - Department of Administration
 - Family and Social Services Administration
 - Department of Corrections

- ❑ The SOBC debt portfolio is currently 100% fixed rate debt.

Project	Debt Outstanding
Miami Correctional	\$105,350,000
Wabash Valley Correctional	\$97,325,000
New Castle Correctional	\$96,580,000
Indiana Government Centers	\$89,885,000
Indiana State Museum	\$64,855,000
Forensic Health and Sciences Lab	\$56,565,000
Madison State Hospital	\$51,315,000
Logansport State Hospital	\$30,565,000
Rockville Correctional	\$30,275,000
Pendleton Correctional	\$27,320,000
Evansville State Hospital	\$25,680,000
Senate Av./ Washington St. Parking Facilities	\$14,200,000
Total	\$689,915,000



Indiana Bond Bank Moral Obligation Debt

- ❑ The Indiana Bond Bank (IBB) provides assistance to local government in funding special projects through the use of bonds including:
 - Water & Sewer Systems
 - Capital Improvement/ Building Projects

- ❑ IBB's Special Program debt may form a Moral Obligation (M.O.) with the State of Indiana providing the issuing organization with more favorable financing terms.

- ❑ The State only serves as a backstop on M.O. debt if the primary repayment source and any additional safeguards (e.g. debt service reserve funds) fail. IBB has never had a Moral Obligation claim in its history.

Project	Debt Outstanding
Hendricks County Hospital	\$119,575,000
Clark Memorial Hospital	\$50,830,000
Adams County Hospital	\$36,925,000
South Bend TIF Districts	\$32,410,000
Hancock County Memorial Hospital	\$31,630,000
Northern IN Commuter Transportation Dist.	\$23,305,000
Columbus Learning Center	\$25,915,000
East Chicago Building Facility Corp.	\$21,340,000
Fort Wayne Regional Public Safety Academy	\$19,230,000
Good Samaritan Hospital (Knox County)	\$13,410,000
Hendricks County Redevelopment Auth.	\$13,215,000
City of Carmel Sewer	\$9,550,000
Anderson Municipal Light and Power	\$4,750,000
Other Issuances (including Pools)	\$139,710,000
Total	\$541,795,000



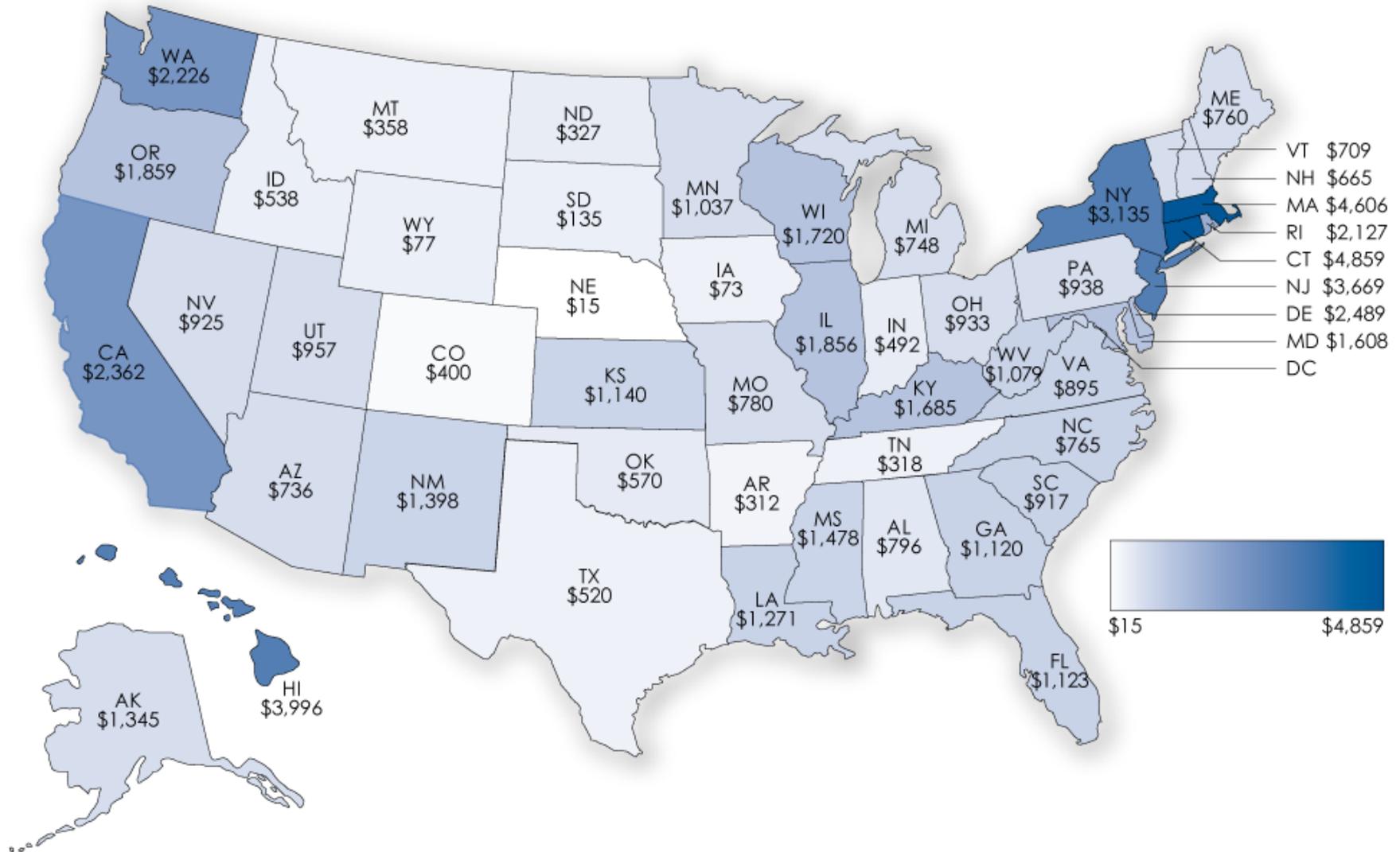
Recreational Development Commission (RDC) Projects [now IFA]

- ❑ The IFA issues debt in partnership with the Department of Natural Resources to finance or refinance the costs of the acquisition, construction, renovation, improvement or equipping of facilities for the operation of public parks.
- ❑ Payment of RDC bonds is made through fees generated by the operation of all state parks and other fees received related to park projects.
- ❑ Currently the RDC portfolio of debt is 100% fixed rate.

Project	Debt Outstanding
Clifty Inn / Abe Martin Lodge	\$10,420,000
Prophetstown & Multi-Project Refundings	\$10,180,000
Ft. Benjamin Harrison Golf Course	\$3,340,000
Total	\$23,940,000



Indiana State Debt per Capita Low Compared to Other States



Source: Moody's Investors Service



III. Non-Appropriation-Backed Debt

Issuing Entity	Oversight	Debt Outstanding
Indiana Bond Bank (Non-Moral Obligation) ¹	Public Finance Director is on the Board	\$1,981,175,011
State Revolving Fund	IFA/Public Finance Director	\$1,784,880,000
Indiana Secondary Market for Educational Loans ¹	IFA Assistance	\$1,585,906,000
Public University (Non-Fee Replaced) ¹	Reviewed by the Budget Committee. Approved by the Budget Director and Public Finance Director.	\$1,288,072,237
Housing & Community Development Authority	Public Finance Director is on the Board	\$1,151,195,000
Ports of Indiana	IFA Assistance	\$30,755,000
Indiana State Fair Commission	IFA Assistance	\$12,860,000
	Total	\$7,834,843,248

Quasi agencies that issue debt, but rely neither on the full faith and credit of the State nor on a moral obligation

¹ Estimated